



Solicitation Information
February 17, 2014

RFP #7548494

TITLE: RFP- Auditing Services for the Tobacco Settlement Financing Corporation

Submission Deadline: March 17, 2014 @ 2:30 PM (ET)

Questions concerning this solicitation may be e-mailed to the Division of Purchases at questions2@purchasing.ri.gov no later than **February 26, 2014 at 3:00PM ET**. Questions should be submitted in a *Microsoft Word attachment*. Please reference the RFP # 7548494 on all correspondence. Questions received, if any, will be posted on the Internet as an addendum to this solicitation. It is the responsibility of all interested parties to download this information.

PRE-BID CONFERENCE **NO**

SURETY REQUIRED: **NO**

BOND REQUIRED: **NO**

Vendors must register on-line at the State Purchasing Website at www.purchasing.ri.gov

Note to Vendors:

Offers received without the entire completed four-page RIVIP Generated Bidder Certification Form attached may result in disqualification.

THIS PAGE IS NOT A BIDDER CERTIFICATION FORM

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I. Request for Proposals for Auditing Services

The Tobacco Settlement Financing Corporation (TSFC) is requesting sealed proposals to engage a firm of Certified Public Accountants to audit its financial statements.

This Request for Proposals has been prepared in accordance with the Guidelines for Quasi-Public Entity Audit Bids and Specifications issued by Director of Administration and Auditor General in January 2014.

General Background:

The TSFC was organized on June 13, 2002 as a public corporation by the State of Rhode Island (the State), pursuant to Title 42 of the General Laws, Chapter 133. The purpose of the Corporation is to purchase Tobacco Settlement Revenues from the State. The Corporation is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

In June 2002, and again in June 2007, the Corporation issued revenue bonds that are the sole obligation of the Corporation. Accordingly, the State is not liable for any debts issued by the Corporation. Also in June 2002 and 2007, pursuant to Purchase and Sale Agreements with the State, the State sold to the Corporation its future rights in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the "MSA"). When the Corporation's obligations with the bonds have been fulfilled, the TSRs will revert back to the State.

The bonds of the TSFC are asset-backed instruments that are secured solely by the tobacco settlement revenues.

The TSFC is a blended component unit of the State for financial reporting purposes. Accordingly, its financial statements are included in the State of Rhode Island's Annual Financial Report.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A copy of the latest audited financial statements for the TSFC can be obtained by e-mailing the Chairman at Thomas.Mullaney@budget.ri.gov.

The TSFC does not receive Federal assistance and, therefore, the provisions of OMB Circular A-133 are not applicable.

The firm selected shall have access to the TSFC's records for the preliminary testing of controls prior to the June 30th fiscal year end. The final trial balance for the fiscal year will be available by the second week of August.

The TSFC will submit to the auditing firm draft all financial statements, notes, supplementary schedules and management's discussion and analysis at dates to be agreed upon between TSFC and the auditing firm.

The TSFC and the firm selected shall enter into a contractual agreement setting forth the provisions of the proposal not to exceed three years.

Except as specified in Solicitation Information above, no firm submitting a proposal may make inquiries with respect to this matter of any other person, member officer, or elected official of Tobacco Settlement Financing Corporation or Rhode Island State Government or in any other manner from the date above through the RFP process.

Thank you for your interest in the Tobacco Settlement Financing Corporation.

Sincerely,

Thomas Mullaney
Executive Director/State Budget Officer
Chair, Tobacco Settlement Financing Corporation

II. SCHEDULE

SUBMISSION OF PROPOSALS BY: **March 17, 2014 @ 2:30 PM (ET)**

DEADLINE FOR SUBMISSION OF WRITTEN QUESTIONS **February 26, 2014 at 3:00PM ET**

SEALED BID OPENING: **March 17, 2014 @ 2:30 PM (ET)**

III. Audit Specifications and Scope of Work

Due Dates for Completion of Audit and Delivery of Reports

1. The audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the TSFC Board of Directors, Director of Administration and the State Controller by **September 30** of each year (as required by Rhode Island General Laws 35-6-37). Copies of all audit reports and communications shall be provided to the Auditor General and to the Department of Administration. Submission of audit reports and communications in electronic form is acceptable and is encouraged.

Qualifications of Auditor

1. The firm selected for the audit shall be a firm of Certified Public Accountants holding a valid license in the State of Rhode Island or from another state having equal professional standards.
2. The senior accountant in charge of the fieldwork shall be a Certified Public Accountant.
3. The audit firm and the individuals responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on government audits shall meet the continuing educational requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.
4. The audit firm shall have an appropriate internal quality control system in place and participate in an external quality control review program as required by *Government Auditing Standards*.
5. The audit firm shall provide a copy of their most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract to the TSFC Board of Directors, the Auditor General and the Director of Administration.

Audit Contract

1. The audit engagement will cover three fiscal years. Each year must be treated as a separate audit. No firm shall maintain the contract for more than two consecutive terms (or six consecutive years). Exceptions to the engagement of auditors for more than six consecutive years can be made when deemed appropriate and/or necessary and when approved jointly by the Auditor General and the Director of Administration.
2. Audit contracts covering more than one year shall specify an audit fee for each year. The audit fee for the financial statement audit shall be inclusive of all expenses.

Audit Standards

1. The audit shall be conducted in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants.
2. The audit shall also be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Scope

1. The private auditors must gain an understanding of TSFC in order to properly determine the work to be performed, including planning audit procedures and a process to gain an understanding of internal control sufficient to plan the audit.
2. The basic financial statements to be presented, audited and reported upon by the private auditor shall be identified. In addition, Required Supplementary Information (e.g. Management's Discussion and Analysis), to accompany the basic financial statement should be identified.
3. Supplementary financial statements, schedules and information to be presented and reported upon by the audit firm shall be identified.

Audit Reports

1. Draft copies as well as a PDF copy of all audit report(s) and the management letter shall be submitted to the Chairman of the TSFC's Board of Directors, the Auditor General, and Office of Accounts and Control – Department of Administration prior to the exit conference so that there will be adequate time for review.
2. The items the auditors shall submit depending on the scope of the engagement will include:
 - a. Reports on:
 - (1) Basic financial statements, and/or combining financial statements, and/or financial statements of separate funds based on an audit performed in accordance with generally accepted auditing standards and *Government Auditing Standards*.
 - (2) Supplementary financial statements, schedules and information including the Supplemental Calculation of Debt Service Coverage Ratio and the Supplemental Schedule of Actual MSA Receipts Compared to Base Case Projections at Time of Sale
 - (3) Internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

- a. Reports required under trust indenture, trust agreements, loan agreements, etc.
- b. Other reports requested by the TSFC Board of Directors and/or the State of RI Director of Administration and/or the Auditor General or as required by the applicable section of the general laws.

Management Letter

1. A management letter shall be submitted upon completion of the audit to the TSFC's Board of Directors, with copies to the State of RI Director of Administration and the Auditor General.
2. The management letter should include comments and/or recommendations beyond those included in the reports described above, on such matters as:
 - a. Policies, procedures and practices employed by the TSFC.
 - b. Immaterial weaknesses in the internal controls that are not "significant deficiencies."
 - c. Use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner.
 - d. Compliance with state laws pertaining to the TSFC and with rules and regulations established by the TSFC.

Performance Requirements:

1. The auditing firm will be responsible to deliver a total of 12 copies of the audit report to the Chairman, TSFC. In addition, the State of RI Director of Administration and the Auditor General will receive two copies upon completion of the audit. Also, one electronic copy in PDF format shall be submitted to the State Controller.
2. The audit shall be completed and the audit report shall be delivered by September 30th of each year.

Payment Requirements:

1. Monthly invoices must be forwarded to the TSFC and shall include a description of service rendered and billed by the auditing firm.

Coordination between the Auditor of the TSFC, the Auditor General and the Department of Administration

The auditor selected for the TSFC shall invite the attendance of the Auditor General at entrance, exit and other conferences between the private auditor and the TSFC.

- The auditor shall submit ALL “draft” copies of the audit report(s) and management letter before the exit conference.
- The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor becomes aware of fraud, abuse, or illegal acts or indications of such acts affecting the agency.
- The auditor shall promptly notify the Auditor General and the Director of Administration if the auditor encounters any significant accounting and/or auditing problems, or any situations that would delay completion of the audit.
- Audit work papers of the private auditors shall be made available upon request of the State of RI Director of Administration and/or the Auditor General for their review, at the completion of the TSFC audit.

The Office of Rhode Island Auditor General, in serving as the Group Auditor for the audit of the State of Rhode Island’s (State’s) financial statements will provide the communication in Appendix 3 of the Guidelines for Quasi-Public Entity Audit Bids and Specifications issued by Director of Administration and Auditor General in January 2014 to each component auditor annually in conjunction with their component audit. This communication will include certain required representations that each component auditor must provide to the Auditor General as their documented understanding of their requirements as component auditors within the group audit of the State’s financial statements. This communication also provides certain information regarding the State’s financial reporting entity and established planning materiality levels for the various opinion units represented within the audit of the State’s financial statements. Component auditors will also be required to submit letters of understanding (engagement letters), materiality levels, management representation letters (with corresponding schedules of unbooked adjustments), and communications with those charged with governance as required by generally accepted auditing standards in accordance with their component audits.

IV. Technical Proposals

Specific information to be required of the proposer

Offeror's technical qualifications – the proposer shall, at a minimum, describe the following:

- a. The firm's experience with government audit engagements, and especially with entities similar to the TSFC,
- b. Firm organization and leadership team including professional staff resources,
- c. Engagement staff qualifications and experience with governmental audit engagements,
- d. Understanding of work to be performed, including planned audit approach and strategy, process to gain an understanding of internal controls sufficient to plan the audit, estimated audit engagement hours, and understanding regarding data to be provided and completed by TSFC that is needed for the audit,
- e. Prior experience of firm in successfully meeting time deadlines such as contained in this Request For Proposals.

Representations –the following representations shall be provided as part of the proposal:

- a. Written representation that the audit is independent under the requirements of the American Institute of Certified Public Accountants including those in Interpretation 10 of Rule 101 of the AICPA Code of Professional Ethics and *Government Auditing Standards*.
- b. A written representation that the auditor of TSFC meets the continuing educational requirements of *Government Auditing Standards*.
- c. A written representation that the auditor has an appropriate internal quality control system in place and has participated in external quality control review program as required by *Government Auditing Standards*. The firm will provide the Auditor General, the TSFC Board of Directors and the Department of Administration with a copy of the firm's most recent external quality control review report and any subsequent reports received during the term of the contract, if awarded.
- d. A written representation that the auditor is familiar with general accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of the Certified Public Accounts: *Government Auditing Standards* issued by the Comptroller General of the United States and will conduct the audit and will report in accordance with those standards.
- e. In accordance with Chapter 27 of Title 17 of the Rhode Island General Laws, the auditor has filed, or will file upon execution of this contract if required, an affidavit with the State Board of Elections concerning reportable political contributions.
- f. A certification that no Rhode Island "Major State decision-maker", or spouse or dependent child of such person as defined in RIGL 42-6-1 holds either a ten percent or greater equity interest or a five thousand dollar or greater cash interest in the business.

V Evaluation and Selection

A Evaluation of Technical Proposals will be based on the following criteria, with associated maximum score for each:

1. Firm qualifications and experience as auditors for government and quasi-governmental agencies, especially entities similar to the TSFC and completion of all representations listed, **18 points**
2. Audit team qualifications and experience as auditors for government and quasi-governmental agencies, **17 points**.
3. Audit strategy and approach to this engagement, **18 points**
4. Capacity to provide required services on a timely basis, **17 points**

B. An Evaluation Committee will be established by the Chairman of the Corporation to review proposals and make recommendations for award of the contract.

C The Committee will be responsible for conducting a comprehensive and impartial evaluation of all proposals and make a recommendation as to award of the contract.

D The evaluation process will consist of two (2) separate components: Technical Proposal Evaluation and the Cost Proposal Evaluation. The Technical Proposal and the Cost Proposal are worth a total of one hundred points.

E To advance to the Cost Proposal Evaluation phase, the Offeror's technical proposal must receive a minimum of 56 (80%) out of a maximum of 70 technical points. Any technical proposals scoring less than 56 points will not have the Cost Proposal either opened or evaluated and the proposal will be removed from further consideration.

F Each technical proposal will be evaluated to determine whether it is complete and comprehensive, according to the categories above, and includes a recognition of the requirements expressed in Section 3 above. The TSFC may request clarification of proposals. Proposals deemed by the Evaluation Committee to be incomplete, non-responsive, or not in accordance with proposal submission requirements will be disqualified.

G Proposals which achieve the minimum qualifying technical score will advance to the cost evaluation phase. Cost proposal points will be assigned as follows: the lowest price offered for the total of all three years required will receive the maximum thirty points; other proposals scores will be calculated as (lowest cost proposal divided by this cost proposal) x 30.

H The technical scores and the cost proposal scores will be added, and the vendor receiving the highest total will be selected for tentative award, subject to negotiation of a audit contract.

VI. Cost Proposal

Reproduce this form and include in separate sealed envelope with firm response.

VENDOR NAME: _____

Proposes prices for audit services to the Tobacco Settlement Financing Corporation for each of three annual periods as described in solicitation RFP # 7548494 as follows:

Lump sum for all auditing services as described, including supplementary schedules. No travel, no reimbursables or other additional compensation, except as included in the single lumps sums for the fiscal years ended:

June 30, 2014 \$ _____ .00, or _____ dollars and no/cents

June 30, 2015 \$ _____ .00, or _____ dollars and no/cents

June 30, 2016 \$ _____ .00, or _____ dollars and no/cents

Three year total: \$ _____ .00, or _____ dollars and no/cents

(Authorized official of the firm)

(date).....

All materials submitted in response to this solicitation become the property of the Corporation and will not be returned. Furthermore, please be advised that all proposals will be subject to public inspection. Respondents must agree to abide by and follow all applicable Rhode Island minority hiring laws, Equal Opportunity Employment Rules and Regulations, Executive Orders, and any and all other applicable Rhode Island employment laws, rule or regulations.

It is intended that an award pursuant to this request will be made to a prime vendor who will assume responsibility for all aspects of the work. Joint venture and cooperative proposals will not be considered. Subcontracts are permitted, provided that their use is clearly indicated in the vendor's proposal and the subcontractor(s) to be used is identified in the proposal.

In accordance with Title 7, Chapter 1.2 of the General Laws of Rhode Island, no foreign corporation, a corporation without a Rhode Island business address, shall have the right to transact business in the State until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040). This is a requirement only of the successful vendor(s).

VII. INSTRUCTIONS AND NOTIFICATIONS TO OFFERORS:

1. Potential vendors are advised to review all sections of this request carefully and to follow instructions completely, as failure to make a complete submission as described elsewhere herein may result in rejection of the proposal.
2. All costs associated with developing or submitting a proposal in response to this request, or to provide oral or written clarification of its content shall be borne by the vendor. The State assumes no responsibility for these costs.
3. Proposals are considered to be irrevocable for a period of not less than sixty (60) days following the opening date, and may not be withdrawn, except with the express written permission of the State Purchasing Agent.
4. All pricing submitted will be considered to be firm and fixed unless otherwise indicated herein.
5. Proposals misdirected to other state locations, or which are otherwise not present in the Division at the time of opening for any cause will be determined to be late and will not be considered. For the purposes of this requirement, the official time and date shall be that of the time clock in the reception area of the Division.
6. It is intended that an award pursuant to this request will be made to a prime vendor, or prime vendors in the various categories, who will assume responsibility for all aspects of the work. Joint venture and cooperative proposals will not be considered. Subcontracts are permitted, provided that their use is clearly indicated in the vendor's proposal and the subcontractor(s) to be used is identified in the proposal.

7. The purchase of services under an award made pursuant to this request will be contingent on the availability of funds. There is no guarantee of any level of spending activity resulting from this solicitation.
8. Vendors are advised that all materials submitted to the Corporation for consideration in response to this request will be considered to be Public Records as defined in Title 38, Chapter 2 of the General Laws of Rhode Island, without exception, and will be released for inspection immediately upon request once an award has been made.
9. Interested parties are instructed to peruse the Division of Purchases website on a regular basis, as answers to submitted questions, as well as any amendments or additional information relating to this request may be released in the form of an addendum to this request.
10. In accordance with Title 7, Chapter 1.2 of the General Laws of Rhode Island, no foreign corporation, a corporation without a Rhode Island business address, shall have the right to transact business in the State until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040). This is a requirement only of the successful vendor(s).

VIII PROPOSAL SUBMISSION

Questions concerning this solicitation may be e-mailed to the Division of Purchases at questions2@purchasing.ri.gov no later than February 26, 2014 at 3:00PM ET. Please reference **RFP # 7548494** on all correspondence. Questions should be submitted in a Microsoft Word attachment. Answers to questions received, if any, will be posted on the Internet as an addendum to this solicitation. It is the responsibility of all interested parties to download this information. If technical assistance is required to download, call the Help Desk at (401) 574-9709. **No other contact with State parties will be permitted.**

Interested offerors may submit proposals to provide the services covered by this Request on or before the date and time listed on the cover page of this solicitation. Responses **an original plus four copies of the technical proposal, plus a separate, sealed and marked original plus four copies of the cost proposal**, should be mailed or hand-delivered in a sealed envelope marked “**RFP#7548494**” to:

RI Dept. of Administration
Division of Purchases, 2nd floor
One Capitol Hill
Providence, RI 02908

NOTE: Proposals received after the closing date and time specified, March 17, 2014 @ 2:30 PM (ET) will not be considered. Proposals misdirected to other State locations or those not presented to the Division of Purchases by the scheduled due date and time will be determined to be late and will not be considered. Proposals faxed, or emailed, to the Division of Purchases will not be considered. The official time clock is in the reception area of the Division of Purchases.

RESPONSE CONTENTS

Responses shall include the following:

1. One completed and signed four-page R.I.V.I.P generated bidder certification cover sheet downloaded from the RI Division of Purchases Internet home page at www.purchasing.ri.gov.
2. One only completed and signed W-9 downloaded from the RI Division of Purchases Internet home page at www.purchasing.ri.gov.
3. **An original and four (4) signed copies of the** Technical Proposal as described above.
4. In addition to the multiple hard copies of the Technical Proposal required, Respondents shall provide a copy in **digital format** (CD-Rom, disc, **or flash drive**). **PDF** format is preferable. Only 1 digital copy is required. **Do not include form W-9 in the electronic copy.**
5. **A separately sealed and signed original and four (4) copies of** the Cost Proposal as described above. PDF copy is **not** required.